PROVINCE OF

PRINCE EDWARD ISLAND

FORTY-FIRST

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31ST

1989

LIQUOR

CONTROL COMMISSION

90-05267/

TABLE OF CONTENTS

Letter of Transmittal 5

General Remarks 7

Sales by Retail Stores 9

Profit and Expense Ratios 10

Comparative Statement 11

Distribution of Gross Income 12

Retail Values for Years 1985 - 1989 13

Licenses and Permits, Licensing Department 14

Auditors Report and Financial Statements 17

The Honourable Keith Milligan,

Minister,

Department of Agriculture,

Province of Prince Edward Island,

Charlottetown, P.E.I.

Sir:

In compliance with Section 94(3) of the P.E.I. Liquor Control Act, I have the honor to submit the Forty-first Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 1988, to March 31, 1989.

Respectfully Submitted,

W. STANHOPE MOORE,

Chairman and
Chief Executive Officer.

GENERAL REMARKS

The Commission is presently operating fifteen (15) retail outlets of which thirteen (13) are self-service in design and two (2) are conventional or counter type. In addition, the Commission operates a central warehouse and Licensee Distribution Centre located in Parkdale on the outskirts of Charlottetown.

In November, the Commission leased a new retail store in Lower Montague. This store is self-service in design, occupies 6,000 square feet, and has increased the level of service to Montague and Southern Kings County residents.

The major objectives of the Commission are to provide the most efficient system of distribution of alcoholic beverages to the public, maintain a high level of customer service, and maximize revenues to the Minister of Finance while keeping in mind Government Policies.

For the fiscal year ended March 31, 1989, gross sales were Fifty Million, Two Hundred and Twenty-One Thousand Five Hundred and Thirty-Nine Dollars ($50,221,539.00). This is an increase of 4.4% over 1987-88 fiscal year. Net profit for the year, plus health and sales taxes, totalled Twenty-One Million, Eight Hundred and Fifty-three Thousand, Five Hundred and Twenty-One Dollars ($21,853,521.00). This represents an increase of 2.55% over 1987-88 fiscal year.

The Commission purchased four (4) new reach-in coolers during the fiscal year expanding this increased level of service to other areas of the Province.

Computer hardware and appropriate software was purchased to further develop the computerization of the Commission's Financial Reporting System. The new computer generated system will be run parallel to the present manual system during February and March with total operational independence for April.

The Licensing & Inspection Department continues to carry out surveillance on all licensed premises and inspections of Special Banquet permits.

As in previous years, the checking of minors and overserving still continue to be two major concerns within the Department. The maintaining of a high level of operational standards was stressed to licensees throughout the year. Strong emphasis was placed on the prevention of breaches of the Liquor Control Act Regulations and Commission Policy within this sector.

Reports indicate licensees, for the most part, continue to operate in a satisfactory manner. During the past year a large number of seminars on the responsible serving of alcoholic beverages were carried out by the Inspection Staff at licensed premises. These seminars are well received and will be expanded to all licensed premises in the Province.

There were twenty-three (23) new licenses issued during the fiscal year, while ten (10) licenses were voluntarily surrendered.

The Commission acknowledges the valuable assistance of the Royal Canadian Mounted Police, the Charlottetown Police Department, and all other law enforcement agencies throughout the Province, as well as all other Government Departments. The Commission recognizes and appreciates the efforts of our dedicated employees who are responsible for the efficient operation of the Commission during the year.

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

ANALYSIS OF SALES BY RETAIL STORES

(For The Year Ended March 31, 1989)

	NET SALES		
	Year Ended March 31, 1989	Year Ended March 31, 1988	Increase (Decrease)
ALBERTON	$ 961,845.52	$ 988,864.96	$ (27,019.44)
BORDEN	854,515.45	894,364.74	(39,849.29)
CARDIGAN	2,900,933.04	3,337,433.90	(436,500.86)
CHARLOTTETOWN - QUEEN ST.	2,652,680.18	2,543,243.62	109,436.56
KENSINGTON	1,163,136.52	1,130,284.23	32,851.29
LICENSEE DIST. CENTER	4,294,592.88	4,151,643.47	142,949.41
MONTAGUE	781,104.96	—	781,104.96
NORTH RUSTICO	1,523,897.33	1,517,019.43	6,877.90
O'LEARY	975,083.82	923,481.41	51,602.41
ROYALTY MALL	6,569,896.26	6,353,482.02	216,414.24
SHERBROOKE	3,232,511.62	3,451,559.99	(219,048.37)
SOURIS	1,658,036.60	1,569,252.92	88,783.68
SUMMERSIDE	2,676,666.17	2,555,213.05	121,453.12
TIGNISH	1,226,693.66	1,141,202.73	85,490.93
TOWERS	5,448,081.61	5,263,165.68	184,915.93
WAREHOUSE (SUNDRY)	52,128.09	72,393.85	(20,265.76)
WELLINGTON	795,645.89	340,528.36	455,117.53
	$ 37,767,448.60	$ 36,233,134.36	$ 1,534,314.24

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

SUMMARY OF PROFIT AND EXPENSE RATIOS (IN 000'S)

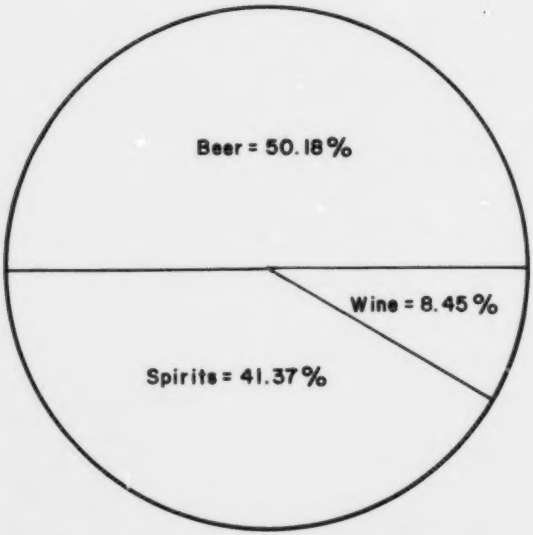
(For The Years Ended 1985-1989)

	1985	1986	1987	1988	1989
SALES	43,364	44,065	45,515	48,130	50,222
GROSS PROFIT	12,298	12,563	13,954	13,855	14,240
NET PROFIT	8,618	8,544	8,927	9,413	9,401
GENERAL AND ADMINISTRATIVE EXPENSES	3,877	4,185	4,215	4,679	5,067
GROSS PROFIT AS % OF SALES	28.4	28.5	28.5	28.8	28.4
NET PROFIT AS % OF SALES	19.9	19.4	19.6	19.6	18.7
GENERAL & ADMINISTRATIVE EXPENSES AS % OF SALES	8.9	9.5	9.3	9.7	10.1

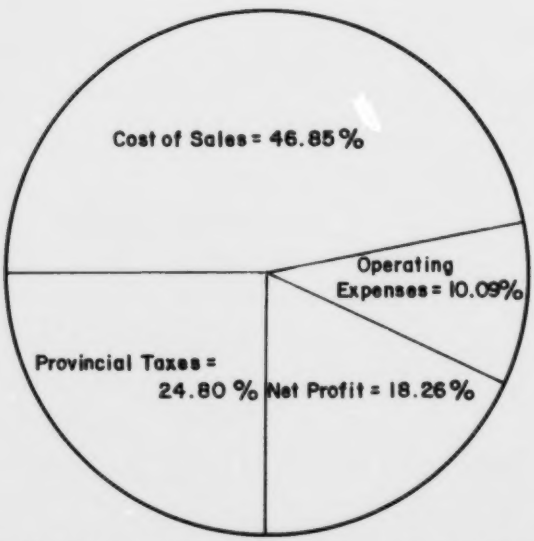
COMPARATIVE STATEMENT

	Gross Sales	Health Tax	Sales Tax	Gross Profit	Net Profit
1966	6,570,884	567,485	328,544	2,111,001	1,855,305
1967	7,273,136	628,138	363,659	2,330,301	2,025,426
1968	8,190,658	707,375	409,533	2,703,928	2,332,440
1969	9,038,301	780,581	451,915	3,000,284	2,606,209
1970	9,738,688	825,960	653,127	3,239,826	2,806,100
1971	10,639,885	899,554	744,792	3,554,861	3,056,251
1972	11,912,815	995,573	952,287	4,030,737	3,471,592
1973	13,614,618	1,137,732	1,088,265	4,701,365	3,981,712
1974	15,682,662	1,311,641	1,254,613	5,439,661	4,474,827
1975	17,977,409	1,503,565	1,438,193	6,138,729	4,985,202
1976	21,371,136	1,787,404	1,709,691	7,240,505	5,767,823
1977	21,620,540	1,843,287	1,344,387	7,466,755	5,793,464
1978	24,287,799	2,005,822	1,500,260	8,366,564	6,482,257
1979	25,258,836	2,156,123	1,541,483	8,716,321	6,688,570
1980	27,602,661	2,354,594	1,702,124	9,783,207	7,506,780
1981	29,922,380	2,662,073*	2,055,181	10,358,624	7,819,513
1982	35,072,507	6,120,627	2,440,237	10,452,764	7,313,442
1983	38,904,314	6,819,570	2,688,211	11,410,630	7,906,428
1984	41,303,258	7,249,723	2,826,817	12,101,846	8,385,392
1985	43,363,896	7,634,874	2,977,486	12,297,568	8,617,835
1986	44,065,615	7,772,800	3,046,443	12,553,475	8,544,146
1987	45,514,685	8,072,811	3,159,037	12,953,662	8,927,004
1988	48,129,989	8,547,175	3,349,680	13,855,014	9,413,261
1989	50,221,539	8,938,039	3,514,752	14,240,459	9,400,730

* NOTE: PROVINCIAL HEALTH TAX INCREASED FROM 10 - 25% MARCH 13/81



Gross Income From The Sale Of Liquor

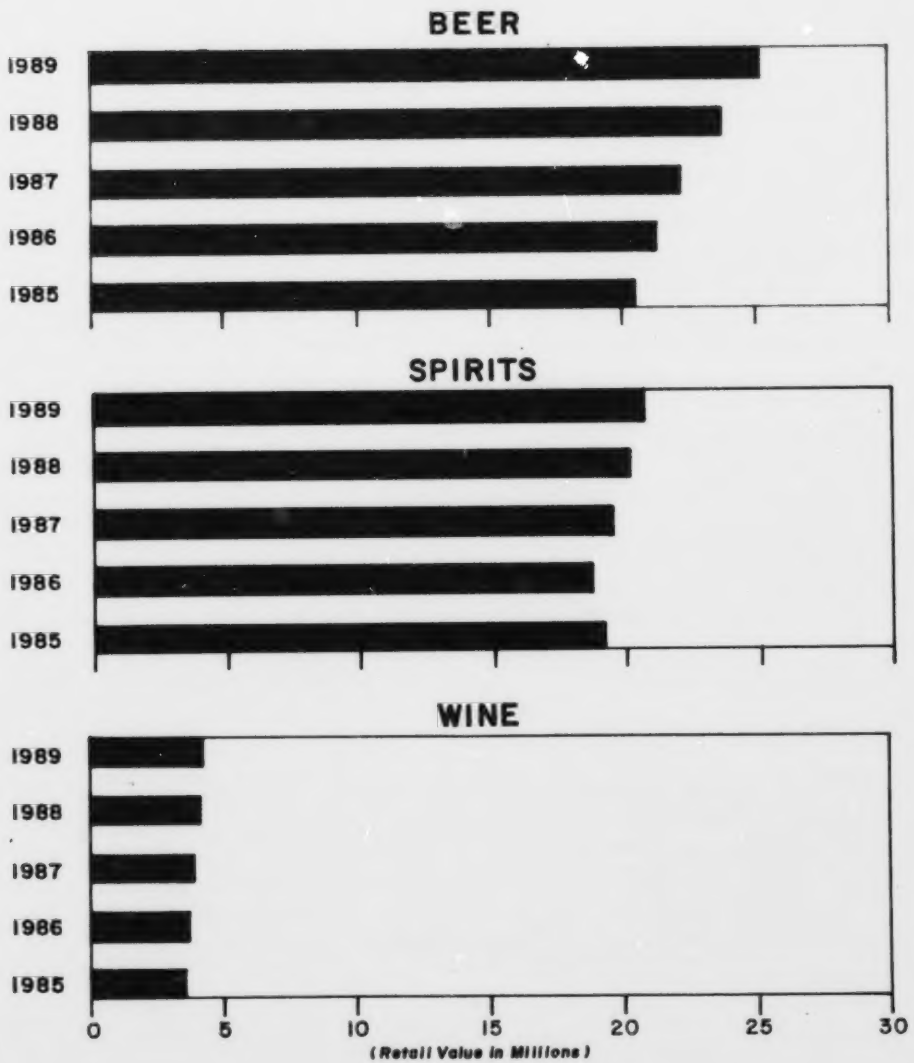


Distribution Of Gross Income From The Sale Of Liquor

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

RETAIL VALUES OF LIQUOR SOLD IN P.E.I.

(For The Years 1985-1989)



LICENSES IN EFFECT AS OF MARCH 31, 1989

AND IN COMPARISON WITH 1988

		1989	1988
1.	MILITARY CANTEEN LICENSES	25	25
2.	CLUB LICENSES	72	73
3.	DINING ROOM LICENSES	134	126

Dining Room Licenses were granted to:-

Shakers Ltd.
Shady Lady
Simmons Restaurant
Pizza Hut
Island Opry
Sandy's Good Food & Good Times
Surf & Bull Restaurant
Wind & Reef
Meme Janes
Brackley Beach Entertainment Centre
Papa Joe's
Gilligans
Dockside Dining
Ocean View Restaurant

4.	LOUNGE LICENSES	63	58

Lounge Licenses were granted to:-

Fairy View Dairy Bar
Shakers Ltd.
Bud's Fish & Chips
Papa Joe's
Gilligans
Ship to Shore

Sandy's Good Food & Good Times
Crosswinds

5. SPECIAL PREMISES LICENSES 1 0

Special Premises Licenses were granted to:-

Eastern Food Service & Management Ltd.
(Charlottetown Airport)

LICENSES VOLUNTARILY SURRENDERED

AND IN COMPARISON WITH 1988

	1989	1988
1. CLUB LICENSES	1	1

Club Licenses Surrendered:-

Green Gables Golf Club

2. DINING ROOM LICENSES	6	9

Dining Room Licenses Surrendered:-

Ricki's Downtown
Black Beard
Peking
Parkdale Homestyle Seafoods
Walter Lee Restaurant
Seven Keys Inn

3. LOUNGE LICENSES	3	3

Lounge Licenses Surrendered:-

Captain Dick's
Ricki's Downtown
Flight Deck Lounge (Airport)

4.	MILITARY CANTEEN LICENSES	0	1
5.	SUMMARY:		
	Military Canteen	25	25
	Club	72	73
	Dining Room	134	126
	Lounge	63	58
	Special Premises License	1	0
		295	282

AUDITOR'S REPORT

To the Commissioners of the

Prince Edward Island Liquor Control Commission

I have examined the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 1989 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. WAYNE MURPHY, C.A.,

Auditor General.

Charlottetown, Prince Edward Island,

June 7, 1989.

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

MARCH 31, 1989

(with comparative figures at March 31, 1988)

ASSETS

CURRENT ASSETS

	1989	1988
Cash	$ 463,908	$ 80,277
Accounts receivable	13,860	9,950
Inventories - Note 1 (b)	2,267,968	2,452,174
Prepaid expenses	58,079	30,142
	2,803,815	2,572,543

FIXED ASSETS

Land, buildings and equipment at cost less accumulated depreciation — Notes 1(a) and 4	1,442,930	1,563,686
Leasehold Improvements at cost less accumulated amortization Notes 1(a) and 5	275,872	140,350
	1,718,802	1,704,036
	$ 4,522,617	$ 4,276,579

STATEMENT 1 (Continued)

BALANCE SHEET

MARCH 31, 1989

(with comparative figures at March 31, 1988)

CURRENT LIABILITIES

	1989	1988
Trade accounts payable	$ 932,206	$ 592,920
Accounts payable - other	231,699	153,334
Accrued interest	30,768	36,194
Deferred revenue	4,926	4,600
Debentures payable — Current portion - Note 3	152,303	125,033
Due to the Minister of Finance - Note 1(c)	1,604,217	1,785,495
	2,956,118	2,697,576

LONG TERM LIABILITIES

Due to the Minister of Finance with respect to net fixed assets — non-interest bearing — Note 1(c)		846,621		876,822
Debentures payable — Note 3	$ 872,181		$ 827,214	
Less: Current Portion	152,303		125,033	702,181
		1,566,499		1,579,003
		$ 4,522,617		$ 4,276,579

(Notes 1 to 6 are an integral part of these financial statements)

ON BEHALF OF THE COMMISSION:

COMMISSIONER: STANHOPE MOORE

COMMISSIONER: COLSTON WOOD

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 1989

(with comparative figures for the year ended March 31, 1988)

	1989		1988	
SALES		$50,221,539		$48,129,989
Less: Provincial Health Tax	$ 8,938,039		$ 8,547,175	
Provincial Sales Tax	3,514,752	12,452,791	3,349,680	11,896,855
NET SALES		37,768,748		36,233,134
COST OF GOODS SOLD				
Beginning Inventory	2,452,174		2,273,906	
Purchases	23,344,083		22,556,388	
	25,796,257		24,830,294	
Ending Inventory	2,267,968	23,528,289	2,452,174	22,378,120
GROSS PROFIT		14,240,459		13,855,014
EXPENSES				
Salaries and employee benefits - Note 6	3,586,790		3,436,764	
Rent - Note 2	254,709		208,964	
Heat and electricity	191,753		157,266	
Store supplies and office expenses	180,019		159,181	
Depreciation	234,330		184,697	
Repairs and maintenance	166,665		97,113	
Insurance and taxes	107,702		98,912	
Interest on long term debt	103,676		77,261	
Travel	71,936		78,298	
Professional services	28,108		72,335	
Miscellaneous	65,784		51,440	
Telephone and telegraph	38,610		32,343	
Delivery	27,159		14,836	
Computer Services	9,854	5,067,095	9,689	4,679,098
		9,173,364		9,175,916
OTHER INCOME		227,366		237,345
NET INCOME - Note 1(c)		$ 9,400,730		$ 9,413,261

(Note 1 to 6 are an integral part of these financial statements)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1989

1. **Summary of significant accounting policies**

   (a) Depreciation and Amortization

   Depreciation of buildings, furniture and equipment and amortization of leasehold improvements are calculated on a straight line basis at the rates indicated in Notes 4 and 5.

   (b) Inventories

   Inventories are valued at cost based on the latest invoice price which is not in excess of net realizable value.

   (c) Net Income

   All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Consolidated Fund on a continuing basis as excess cash becomes available. Any funds received from operations which are used to finance net additions to fixed assets are withheld by the Commission and treated as long term loans from the Province.

2. The Prince Edward Island Liquor Control Commission leases six retail outlets. All of these retail outlets have written lease agreements and the maturity dates for these leases are between 1990 and 1996. The leases have a total basic yearly rent of approximately $246,000.

3. Debentures Payable - Province of Prince Edward Island.

	Balance March 31, 1989	Less Current Portion	Long Term Liability
Licensee Distribution Centre			
Repayable in equal annual installments of $75,764 including interest @ 12.5% per annum, maturing November 1, 1990	$ 127,112	$ 59,875	$ 67,237
North Rustico			
Repayable in equal annual installments of $64,295 including interest @ 15.5% per annum, maturing September 1, 1991	145,536	41,737	103,799
Kensington			
Repayable in equal annual installments of $24, 363 including interest @ 18% per annum, maturing January 1, 1992	52,745	14,737	38,008
O'Leary			
Repayable in equal annual installments of $52,553 including interest @ 11.75% per annum, maturing February 1, 1998	282,697	19,336	263,361

	Balance March 31, 1989	Less Current Portion	Long Term Liability
Wellington			
Repayable in equal annual installments of $17,159 including interest @ 11.25% per annum, maturing February 1, 1998	94,091	6,574	87,517
Montague			
Repayable in equal annual installments of $29,169 including interest @ 11.25% per annum, maturing March 1, 1999	170,000	10,044	159,956
	$ 872,181	$ 152,303	$ 719,878

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1989

4. Fixed assets at cost less accumulated depreciation consist of the following:

		1989			1988
	Depreciation Rate	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	—	$ 100,157	—	$ 100,157	$ 103,979
Buildings	5%	2,984,805	$ 1,813,385	1,171,420	1,298,202
Equipment	10—33%	566,435	395,082	171,353	161,505
		$ 3,651,397	$ 2,208,467	$ 1,442,930	$ 1,563,686

5. Leasehold improvements are amortized over the terms of the leases.

	1989			1988
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold Improvements	$ 429,308	$ 153,436	$ 275,872	$ 140,350

During the year interest costs totalling $5,435 associated with leasehold improvements were capitalized.

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1989

6. Benefits: The employees of the Liquor Control Commission are entitled to pension benefits under the terms of their employment. The employer's share of the benefits plus any additional future actuarial liabilities are assumed by the Province of P.E.I. and are not reflected in the Commission's financial statements.